

Smart Industry Report:

# Professional Services

**Towards 2030: A special report from Westpac.**

Here to help with insights for strategy, agility and competitive edge.

Image: iStock



# People at the heart of progress.



Welcome to Westpac's Smart Industry Report on Professional Services. In this report, Towards 2030, we bring together global and Australian thought

leaders from across the professions to discuss issues and trends that are creating opportunities for growth – and providing some ongoing challenges.

A key theme of the report explores how nimble, tech-powered entrants are challenging the status quo, as competition for traditional revenue streams intensifies. At the core, for firms and the professionals leading and working within them, is the need to deploy technology to deliver existing services with greater speed and efficiency, and to identify ways to develop new advisory service offerings.

While digital capabilities underpin many of the bold moves into the future, people remain at the heart of professional services. The so-called “soft skills” of managing, leading and inspiring people, both within a practice and within the broader professions, are actually growing in importance.

Technical training for existing employees across the professions is broadly managed well and available, we find, but attracting, retaining and developing people takes effort, motivation and resources that often go beyond internal skillsets. New generations of young professionals, in particular, are eager to fast-forward their careers. More in-tune practices are offering employees at all stages of their careers the chance to upskill – and winning the “war for talent” as a result.

At Westpac, we are actively supporting many of the game-changing trends as they unfold. We are constantly asked to provide data in more accessible formats to our professional services clients and to work with practice management software providers to enhance functionality for mutual clients.

Conversations with customers typically go beyond overdraft limits to manage cashflow, to delivering holistic working capital solutions that provide flexibility for new strategies and change management.

Looking to the future, we await new cues on the implementation of Tranche 2 of the Anti-Money Laundering and Counter-Terrorism Financing Act, which

“The so-called ‘soft skills’ of managing, leading and inspiring people are growing in importance.”

**Paul Goessler**, National Head of Professional Services, Westpac Commercial Bank

has been a long time coming. Its impact on professional services is expected to be profound, but will undoubtedly uncover new business opportunities.

In the interim, we look forward to your feedback on the insights in this Smart Industry report. Happy reading!

# The way forward.

**From management consultancy, to engineering, accounting and legal, professional services are an important contributor to the Australian economy.**

The industry employs around 20 per cent of the Australian workforce, generates annual revenue of just over AU\$165 billion and plays a vital role in helping clients remain competitive and compliant.

Organisations within the sector have long used technology to gain greater levels of operational efficiency. But we've now entered a new era of change. Technologies such as artificial intelligence, machine learning, data analytics and blockchain are disrupting business models and presenting opportunities for transformation.

Hyper-connected consumers are demanding new forms of service. Partnerships are emerging between start-ups and incumbents to foster innovation. Workforces are becoming more flexible and new skillsets are growing in demand. Meanwhile, the wide landscape of regulation and compliance remains in flux. New ethical considerations are also emerging in the evolving digital age.

As automation increases, sound ethical judgement will become ever more important for senior decision-makers in professional services to ensure that innovation is supported in a manner that befits expectations.

The Association of Chartered Certified Accountants (**ACCA**), the global professional accounting body with more than 200,000 members worldwide, recently released its **Ethics and trust in a digital age** study.

Results reveal that more than 80 per cent of 10,000 survey respondents believe that strong ethical principles and behaviour will become even more important with the accelerating application of technology.

"Professional accountants are often on the frontline facing ethical questions in business, and the digital age brings with it new dilemmas for the profession where there are no easy answers," says Maggie McGhee, ACCA's Executive Director, Governance. ▶

## Australian professional services industry snapshot 2018-19<sup>1</sup>

Industry revenue:

**A\$165.2 billion**

Industry profit:

**A\$28.4 billion**

Annual growth, 2014-2019:

**1.5%**

Forecast growth, 2019-2024:

**1.9%**



People employed:

**844,687**



Businesses operating:

**226,376**

### The importance of ethics<sup>2</sup>

**A global ACCA survey of 10,000 accountants found that 9 out of 10 agree that ethical behaviour helps to build trust in a digital age.**



SOURCES: 1. Data provided by IBISWorld. 2. ACCA Ethics and trust in a digital age.

## Introduction

### The way forward

She adds, “In the digital age, there needs to be more, not less, importance placed on the ethical and professional judgement of individuals.”

These trends are also impacting legal firms and, like all industries challenged by disruption, they face the prospect of sink or swim. Are professional services firms up for the challenge?

This Westpac Smart Report explores both the challenges and opportunities they face today, as well as potential issues on the horizon – with a particular focus on accounting and legal firms – to provide insights for strategy, commercial agility and competitive edge.

**“In the digital age, there needs to be more, not less, importance placed on the ethical and professional judgement of individuals.”**

**Maggie McGhee**, ACCA's Executive Director,  
Governance



# A shift in supply and demand.

**Professional services firms now operate in a buyer's market where digital technologies have fostered new customer expectations.**

Empowered by unprecedented access to information, tech-savvy customers are seeking swift, seamless, personalised services, while also demanding greater transparency and value for money. Smart firms are listening.

## The “uberisation” of lawyers

The movement toward value-based pricing, which has been growing in recent years in the accounting industry, for example, is now picking up a decisive pace in some law firms.

Expectations of transparency and service on-demand are also leading to what Stevie Ghiassi, CEO and co-founder of Australian legal technology company **Legaler**, describes as the “uberisation” of lawyers.

“Clients are happy to pay, as long as they know what they’re getting,” says Ghiassi. “It’s all about growing client value. With fixed fees, you can now compare lawyers through online reviews and digital profiles, and this

shift is creating the opposite incentive of billable hours. Because if a lawyer tells a client what they’re expecting to charge them, the onus is then on the law firm to improve efficiency – or they lose out and it comes out of their pocket. It’s completely switched the model around.”

## Less number crunching, more advice

Technology is also changing what clients want from their accountants – and advice is high on the list. “With cloud-based general-ledger systems, we now get data arriving in real time,” says Matthew Rowe, CEO of accounting and advisory group **CountPlus**.

“We also have high-quality data feeds coming through from banks, and customers just don’t want to be keeping pieces of paper today. This all means there is a greater focus on what is important for customers and, for small business customers, that’s things like cashflow, because they can be at a profit and still go broke.” ▶



Towards 2030  
A shift in supply and demand

Technology is changing what customers want, but are most accountants meeting expectations? Ross Cameron, founder **Cameron Research Group**, whose market research and insights about small and medium enterprises include a six-monthly analysis of market sentiment, says there is a “disconnect” between what clients want and what they are actually getting.

“There is an expectation that accountants should be taking on more of an advisory role but, from our research, it’s fair to say that a lot of accountants are struggling with this,” he says. “In many instances, accountants are seen as historians, but business owners don’t want to know what was happening in their business months ago, they want to know what may be happening in the near future. That’s a value-added service and that’s what clients want.”

**The personal touch**

In the age of hyper-connected consumers, delivering a personalised experience is also key to success in professional services.

Attitudes to sharing data are changing. Accenture’s **2018 Personalisation Pulse Check** found that 83 per cent of consumers are willing to share

**“Business owners don’t want to know what was happening in their business months ago, they want to know what may be happening in the future.”**

**Ross Cameron**, founder, Cameron Research Group

their data to enable a personalised experience (as long as businesses are transparent about how they use it).

Personalisation is paying off. Recent research from **Boston Consulting Group** shows that companies that create personalised experiences by integrating advanced digital technologies and proprietary data for customers are experiencing a revenue boost of 6–10 per cent.

Technology can help professional services firms to better understand their customers based on individual personality profiles. Personality detection technology such as **Crystal**, which was originally developed in Harvard University’s start-up incubator Harvard Innovation Labs, is one example. It analyses data from publicly available sources, such as social media and private peer reviews on its own site, and categorises professionals into 64 personality types to infer their work and communication styles. With greater knowledge of personal preferences, businesses may be better equipped to give customers more of what they want.

**Personalisation of services**

**83% of consumers are willing to share their data to enable a personalised experience<sup>1</sup>.**



Top organisational **barriers to personalisation<sup>2</sup>**:



**Over the next five years in three sectors alone—retail, health care, and financial services—personalisation will push a revenue shift of some US\$800 billion to the 15% of companies that get it right<sup>2</sup>.**

SOURCES: 1. Making It Personal, Accenture Interactive Pulse Check 2018. 2. BCG Profiting from Personalisation.



# Coming together.

**Professional services have traditionally owned their end-to-end services. But this looks set to change.**

Partnerships are already emerging between incumbents and start-ups to foster innovation and promote operational agility. Technology is also promoting greater collaboration with clients, resulting in faster, seamless and more valuable service.

## Joining with the disruptors

The increasing trend for incumbents to partner with their disruptors shows how firms are striving to develop their competitive edge, with law firms leading the way.

- Law firm **Gilbert + Tobin** recently took an equity stake in **Legal Vision** and will work with the start-up on joint projects to develop legal applications for artificial intelligence in the partners' respective markets.
- **DLA Piper** has teamed up with **Lawyers On Demand** to help develop DLA's freelance lawyer platform.
- **EY** recently bolstered its cyber-security advisory capability with the acquisition of Melbourne-based identity and access management provider, **Open Windows**.
- **Norton Rose Fulbright** and **LawPath** formed a strategic alliance to offer standard fixed-price services, sold and delivered online to small and emerging businesses.
- **Piper Alderman** has paired up with technology innovation company **Lakeba Group** to help navigate the legal implications and requirements associated with implementing blockchain and cryptocurrency solutions for clients.
- **PwC** has partnered with blockchain start-up **Blockstream** to bring distributed ledger technology and services to clients. ▶



### The value of collaboration

Just as technology continues to evolve, the nature of client relationships is changing, too.

Collaborative software is helping to reposition accounting firms from service providers to trusted partners.

ASX-listed cloud accounting platform, **Xero**, for example, which was formed in New Zealand in 2006, now has more than 1 million subscribers across Australia and New Zealand. This is twice the number it had two years ago.

Xero was built ground-up for the cloud, ensuring small businesses and their accountants have access to real-time financial data.

Sean Moore, Partner, Risk Advisory at **Deloitte**, says cloud computing has created a fundamental shift in the client/firm dynamic.

“The absolute game-changer for accounting firms and legal firms is the ability to host technology solutions in the cloud,” he says. “It enables both the firms and their clients to access a shared central repository for their software and data.”

## “The absolute game-changer for accounting and legal firms is the ability to host technology solutions in the cloud.”

**Sean Moore**, Partner,  
Risk Advisory at Deloitte

Technology is also creating greater ease for clients. LawTech companies include **Legaler**, which uses technology to improve lawyer-client communications (see case study on page 10); and **LawPath**, which aims to reduce the cost and complexity of legal services for small to medium businesses through the provision of document automation.

**LegalVision** is another example. It provides fixed-fee, high-volume legal business advice at lower prices due to its online operation.



# Case study: The rise of the virtual lawyer.

## Legaler

**Interviewee: Stevie Ghiassi,  
CEO and co-founder**

Australian LawTech start-up **Legaler** was launched in 2015 by Stevie Ghiassi and Mike Hosseini with the aim of helping lawyers to securely communicate and collaborate with clients online.

Now used by more than 1,000 law firms in 80 countries, Legaler recently raised AU\$1.5 million in funding to expand its platform, and to build Legaler Aid, a blockchain-based service that matches people who cannot afford traditional legal advice with lawyers who are willing to offer pro bono services.

Ghiassi says the idea for Legaler was formed during his experience navigating the legal system while building a previous software start-up company.

“Legaler is a communication tool that encourages lawyers to become more efficient,” he explains. “Clients can also use it to meet with their lawyer in their browser via encrypted video. It keeps all important information in one place –

agendas, private notes, shared files. It’s the start of the virtual lawyer. Lawyers can integrate live chats into their website and data is encrypted and stored.”

**“We’re creating blockchain infrastructure for the future of legal services.”**

**Stevie Ghiassi**, Legaler co-founder

Legaler is also playing a role in transforming the legal sector by building tools that will allow businesses or developers to create peer-to-peer legal services.

“It could be a litigation fund that crowd sources funding and returns dividends through a security token,” says Ghiassi. “We’re creating blockchain infrastructure for the future of legal services.”



# New services for the digital world.

## Technology is changing the way businesses engage professional services.

But many firms are up for the challenge. As technology continues to drive fundamental changes across the industry, business models are being modified and adapted.

“The change in the type of work required for success is happening faster than ever,” says Bridget Loudon, CEO and co-founder of freelance consulting platform **Expert360**, and former management consultant at Bain & Company.

“Organisations used to look ahead by three to five years to make decisions about what they were going to build for clients. Now it’s much shorter than that; if you bring it back down to agile principles, we’re making these decisions on a one, two, three-monthly basis.”

### Digital-based services

Innovations such as machine learning, blockchain and natural language processing are expected to transform professional services by lowering the cost of tasks and freeing up more time to provide value.

Traditional law firms are facing increasing competition from rapidly evolving NewLaw providers that harness technology to provide client service on demand.

**“The change in the type of work required for success is happening faster than ever.”**

**Bridget Loudon**, CEO, Expert360

In accounting, cognitive technologies are changing the way audits are performed. Rather than looking at historical financial statements, auditors will increasingly be expected to generate meaningful insights and focus on business and financial reporting risk. Smart firms are responding with significant investment in in-house technology. Mid-tier law firm **Meridian Lawyers**, for example, plans to spend around AU\$3 million over the next three years on digitising and innovating legal service delivery and on producing an automated online solution for employment and commercial contracts. ▶



## Towards 2030 New services for the digital world

**McCullough Robertson** currently deploys machine learning technologies for due diligence in corporate mergers and acquisition transactions.

Meanwhile, the 2017 **Top 100 Accounting Firms** report from the Australian Financial Review shows that 81 per cent of firms are investing in cloud computing technology, 44 per cent are investing in data analytics and 30 per cent are investing in robotic process automation.

Furthermore, almost 75 per cent of firms in the list nominated 'advisory services' as among their fastest growing divisions.

Research from the **International Federation of Accountants (IFAC)**, the global organisation that represents three million accountants worldwide, indicates that advisory services are among the key offerings of many among small- and medium-sized accountancy practices (SMPs).

Its latest **Global SMP Survey**, which is based on more than 5,000 responses from 164 countries, showed that 83 per cent of respondents were providing some form of business advisory and consulting service.

Accounting firms within Australia have been actively promoting the need to

move to a trusted advisor model and, in some instances, have been exploring financial advice models.

### “The expectations businesses have of professional accountants will evolve.”

**Maggie McGhee**, Executive Director, Governance, ACCA

Mid-tier firm **Grant Thornton**, for example, has moved beyond accounting by adding 10 new consulting services to its offering in the past three years. Fellow mid-tier firm **RSM** launched a digital services consultancy last year to provide guidance on the best type of technology available to clients.

“The expectations businesses have of professional accountants will evolve,” says ACCA’s McGhee.

“All professional accountants will be expected to look beyond the numbers and possess the skills not only to meet more frequent requests for holistic and forward-looking information, but also ad-hoc reporting from ever-more demanding stakeholders as the barriers are eroded between financial and non-financial performance. This will lead to a greater focus on advisory roles.” ▶

## The forces reshaping professional services

**IFAC Global SMP Survey**, advisory services offered by accountants (2016)<sup>1</sup>:

**Management accounting**

**46%**  
of respondents

**Corporate advisory**

**46%**  
of respondents

**Human resources**

**30%**  
of respondents

**Business development**

**29%**  
of respondents

**Areas of technology investment** for the top 100 accounting firms, 2017<sup>2</sup>:



**Cloud computing**

**81%**  
of firms



**Data analytics**

**44%**  
of firms



**Robotic process automation**

**30%**  
of firms

“Almost every firm in the Top 100 said the adoption of cloud computing was a positive development for clients and their firm.”<sup>2</sup>

**SOURCES:** 1. Extracts from the 2016 IFAC Global SMP Survey Report & Summary (March 2017) published by IFAC. All rights reserved. Reproduced with the permission of IFAC. Contact [Permissions@ifac.org](mailto:Permissions@ifac.org) for permission to reproduce, store or transmit, or to make other similar uses of these extracts. 2. Top 100 Accounting Firms 2017, Financial Review in partnership with Chartered Accountants ANZ.

## Towards 2030

### New services for the digital world

#### The power of data

As firms reposition their services for the digital world, data is proving to be rich in opportunities. “Data is the new oil for accountants,” says CountPlus CEO Matthew Rowe.

“When cloud-based general ledger systems first came out, they were seen as a threat because a big part of accountants’ value proposition was record-keeping. What clients really value today is financial insight and advice. Quality data arriving in real-time allows us to have meaningful conversations with clients.”

Malcolm Ebb, co-founder and Managing Director of **FeeSynergy**, which provides automated debtor management software and finance solutions to the accounting and legal sectors, says data allows companies to expand their services if they can extract its value.

“We work with a number of accounting firms, for example, that have a range of divisions, such as IT, legal and insurance broking. It surprises me that more accounting firms don’t have a more holistic view of services. They’re sitting on a goldmine – if they know how to mine data properly.”

**“It surprises me that more accounting firms don’t have a more holistic view of services. They’re sitting on a goldmine – if they know how to mine data properly.”**

**Malcolm Ebb**, co-founder and Managing Director of FeeSynergy

#### Models of disruption

With clients now expecting service on demand, accounting and law firms are also restructuring new pricing models with value-based and subscription fees that reflect the provision of real-time solutions.

NewLaw firm **LegalVision**, for example, primarily works on a fixed-fee per project basis and also designs monthly subscriptions and other flexible pricing arrangements for clients with a high volume of legal needs.

Mid-tier accounting firm **Moore Stephens** offers a \$1,500-a-year service that provides unlimited access to its experts on financial reporting standards.

Legaler’s Ghiassi believes there is still resistance to change within the legal industry. ▶



## Towards 2030

### New services for the digital world

“It’s the elder statesmen who are not really wanting to disrupt or change their models before they leave their tenure, because it’s structured to suit them.

“But we’re seeing a generational shift and, like most disruptions, if you hang on to existing models that serve you now, you may not be well served in the future,” he says.

**“If you hang on to existing models that serve you now, you may not be well served in the future.”**

**Stevie Ghiassi**, Legaler CEO and co-founder

New business models must be supported by new skillsets. ACCA’s recent **‘Professional accountants: the future’** research has identified what McGhee describes as the qualities that “will make the perfect finance professional”.

“In this report, we found that intellect, creativity, emotional intelligence, vision, experience, technical skills and a mastery of the digital world will be the seven key skill areas sought by employers now and in the future and, as a result, we adapted our qualification to reflect these drivers of change.”

## Accountants of the future

### Professional quotients for success<sup>1</sup>:



#### Digital knowledge

Awareness and application of existing and emerging digital technologies, capabilities, practices, strategies and culture.



#### Vision

Ability to anticipate future trends by extrapolating existing trends and facts, and filling the gaps by thinking innovatively.



#### Emotional intelligence

Ability to identify your own emotions and those of others, harness and apply them to tasks, and regulate and manage them.



#### Technical and ethical competencies

Skills and abilities to perform activities consistently to a defined standard while maintaining the highest standards of integrity, independence and scepticism.



#### Intelligence

Ability to acquire and use knowledge: thinking, reasoning and solving problems.



#### Creativity

Ability to use existing knowledge in new situations, to make connections, explore potential outcomes, to generate new ideas.



#### Experience

Ability and skills to understand customer expectations, meet desired outcomes and create value.

**SOURCES:** 1. Professional accountants – the future: Drivers of change and future skills, ACCA.

# Talent in demand, on demand.

**Shifting labour market dynamics are creating challenges and opportunities for the way professional services firms engage and retain their most valuable assets.**

By 2020, the Millennial generation will dominate the workforce, and insights from Deloitte's latest **Millennial Survey** suggest they will be bringing expectations of greater flexibility and shorter tenure.

At the same time, technology is transforming the world of work, replacing transactional tasks in accounting and law, augmenting the role of humans and accelerating the shift in required workforce skills. **McKinsey Global Institute** estimates that by 2030, demand for higher cognitive skills, such as creativity, critical thinking and complex information processing, will grow at cumulative double-digit rates.

### Time to upskill

The gap between the skills people have and those employers need is already widening. A recent report from global workforce solutions company **Manpower Group** shows that 43 per

cent of medium-sized organisations experienced talent shortages in 2018, largely due to a lack of suitable applicants, and that accounting and finance are among the top 10 most in-demand skills.

Many employers are already tackling talent shortages by upskilling their existing workforce. The **Manpower Group 2018 Talent Shortage Survey** shows that more than three quarters of respondents are investing in online learning platforms and development tools to build their talent pipeline, compared to just 19 per cent in 2014.

Technology, such as predictive performance analytics, psychometric assessments and artificial intelligence, also means employers can develop and map their existing and potential workforce like never before.

At CountPlus, professional development includes a focus on mentorship. ▶

## Talent in demand

**In Australia 43% of medium sized organisations (50- 249 employees) reported talent shortages in 2018, saying they can't find the skills they need.**



Accounting & finance and lawyers are both in the top 10 most in demand skills in Australia.

**Over three quarters (76%) of companies are investing in learning platforms and development tools to build their talent pipeline, up from just 19% in 2014.**



**More than half (51%) of all employers are exploring alternative models (contract, freelance or temporary work).**



**51% of employers are already offering flexible or remote working.**

SOURCES: 1. The Manpower Group 2018 Talent Shortage Survey.

## Towards 2030

### Talent in demand, on demand

“In professional services, the greatest asset is people,” says Rowe. “Staff turnover is hugely expensive and I believe companies should invest part of that cost into training, development and leadership programs.

“Leaders are too often busy being busy and they need to step back and see that 25 per cent of their time should be spent in a mentoring and coaching capacity. One of the things we’ve done at CountPlus is to spend more time on our star performers, who are the future of our firm.”

#### Talent when you need it

The growing contingent workforce is also presenting new opportunities for professional services firms to increase the agility of their operating models by engaging talent on demand.

Bridget Loudon of freelance consulting platform Expert360, says the vast majority of white-collar freelancers are freelance by choice. “Over the past five years, a generation of workers, specifically Millennials powered by technology and a desire to experience the world in a new way, has really changed how people are thinking about work,” says Loudon. “They are looking for purpose, for diversity and a portfolio career made up of different projects and challenges.”

**“It no longer makes sense to have an entire workforce of people that you hire permanently.”**

**Bridget Loudon**, CEO, Expert360

Loudon says the market for on-demand talent across the professional services sector is ‘booming’.

“Organisations are looking to have more flexibility and more agility in their workforces,” she says. “It no longer makes sense to have an entire workforce of people that you hire permanently.

“As an example, on Expert 360 we have 4,000 individuals who have accounting experience in Australia and 6,500 globally, and we’ve seen a real spike in demand for business analysts. It’s doubled from last year to this year.

“From most of our conversations in the marketplace, your competitors in professional services are already thinking strategically about how they build and manage on-demand workforces,” adds Loudon. “You need to be thinking about this too, or you’ll be left behind.”



# Cutting through the red tape.

## The accounting and legal sectors face a tough battle against red tape.

With the Australian government currently considering options to extend anti-money laundering and counter terrorism financing (AML/CTF), the level of regulation and the complexity of compliance looks set to grow.

The implementation of Tranche 2 of the Anti-Money Laundering and Counter-Terrorism Financing Act has been long anticipated. Tranche 1 captured approximately 14,000 entities. Under Tranche 2, with the addition of real estate agents, legal and accounting firms, plus conveyancers, this figure will balloon to around 100,000.

Compliance will be tricky and needs to be well planned. Yet, amid all this work, opportunities will undoubtedly emerge to deliver new services to clients. We're hoping a few pleasant surprises will be revealed in the near future!

The World Economic Forum's **Global Competitiveness Report** ranks Australia 80 out of 137 nations for the burden of government regulation. And the Institute of Public Affairs estimates that red tape costs the Australian economy AU\$176 billion every year.

The Association of Chartered Certified Accountants (ACCA) **Professional accountants: the future** report notes that increased regulation and stronger governance will have the greatest impact on the profession over the next decade.

"The profession's always been shaped by politics, laws and regulations," says ACCA's Maggie McGhee. "But the speed with which we need to adapt is increasing. This demands the finance professional be ahead of the game and ready to advise."

### Regtech to the rescue?

Amid the flux of regulation, some disruptive technologies are emerging to help ease the cost and operational burden of compliance. Regulatory technology companies, or regtechs, are gaining momentum as potential partners for firms by deploying innovations such as artificial intelligence, machine learning and blockchain to streamline compliance, reporting and other risk management and regulatory tasks. ▶

## Calculating the impact of regulatory challenges

In the 2017–2018 Global Competitive Index, Australia ranks 21st out of the 137 assessed countries<sup>1</sup>.

Australia's institutions ranked 18th of the 137 assessed countries<sup>1</sup>. 

The six lowest ranking areas for Australian institutions in the Global Competitive Index were<sup>1</sup>:

**80th**  
Burden of government regulation

**61st**  
Strength of investor protection

**47th**  
Business costs of terrorism

**47th**  
Efficiency of government spending

**43rd**  
Business costs of crime and violence

**34th**  
Efficiency of legal framework in challenging regulations

The five most problematic factors for doing business in Australia, as ranked by surveyed executives, were<sup>1</sup>:

**1**  
Restrictive labour regulations

**2**  
Tax rates

**3**  
Inefficient government bureaucracy

**4**  
Policy instability

**5**  
Poor work ethic in national labour force

SOURCES: 1. World Economic Forum Global Competitiveness Report 2017-18

## Towards 2030 Cutting through the red tape

**Boston Consulting Group** estimates there are 360 regtechs concentrated in three markets: 130 in the US, 80 in the UK and 25 in Australia, including Sydney-based start-up **Red Marker**, whose application Artemis is already being used by multiple Australian financial services licensees.

Others include **GRC Solutions**, which provides online compliance training spanning legal compliance, risk management and ethics; and **Checkbox**, which creates online applications to help navigate complex regulations, such as International Financial Reporting Standards (IFRS)

“For an economy the size of Australia, our regtech sector is certainly punching above its weight,” says Moore. “What differentiates them from some of the more traditional software companies is that they understand specific pain points around singular compliance or regulatory issues, rather than providing enterprise-wide solutions.”

While regtechs present opportunities for cutting through red tape, ACCA’s McGhee advises professional services firms to remain prudent about the risks involved in delegating regulatory or compliance tasks to a third party.

**“For an economy the size of Australia, our regtech sector is certainly punching above its weight.”**

**Sean Moore**, Partner, Risk Advisory at Deloitte

“There is systemic risk from regtech softwares all making similar mistakes, for example, in a given sector,” she says. “Inadvertently outsourcing ethical judgement to the software is also a risk. Ultimately, the human has to decide whether compliance is in ‘spirit’ as well as to the letter.”

### Opportunities for growth

The growing burden of regulation may have a silver lining for firms that effectively harness regtech. Moore says there is now greater potential for professional services to provide regulation and compliance support as a service. “We’ll see professional services bodies working with clients to assist them in their day-to-day compliance requirements,” he says.

“This will be very different from traditional outsourcing models – it will be support, whether from legal or accounting firms. They will use their deep relationships with customers and clients to understand where their pain points are and use their expertise around regulations to help them adapt and implement technology solutions.”

## Future drivers of change for professional accountants

**External factors professional accountants expect to have the most impact on the accountancy profession over 3 to 10 years<sup>1</sup>:**

Development of intelligent automated accounting systems **55%**  
of respondents

Rate of change and economic volatility **42%**

Greater harmonisation of accounting and business standards **42%**

Adoption of cloud computing by business **41%**

Different aspirations and expectations of future generations **39%**

**External factors professional accountants expect to have the most impact on the accountancy profession beyond 10 years<sup>1</sup>:**

Changes in direction for global governance, and influence of emerging global powers and regional and global institutions **52%**  
of respondents

Changing social expectations and evolving scope of what is considered accounting and the role of the accountant **50%**

SOURCE: 1. ACCA Professional accountants – the future: Drivers of change and future skills.

# Conclusion: Innovation overcomes challenges.

**Professional services are experiencing an escalating pace of change that demands decisive and strategic action. While disruptive technologies present significant opportunities for growth and transformation to 2030, there are obstacles to overcome.**

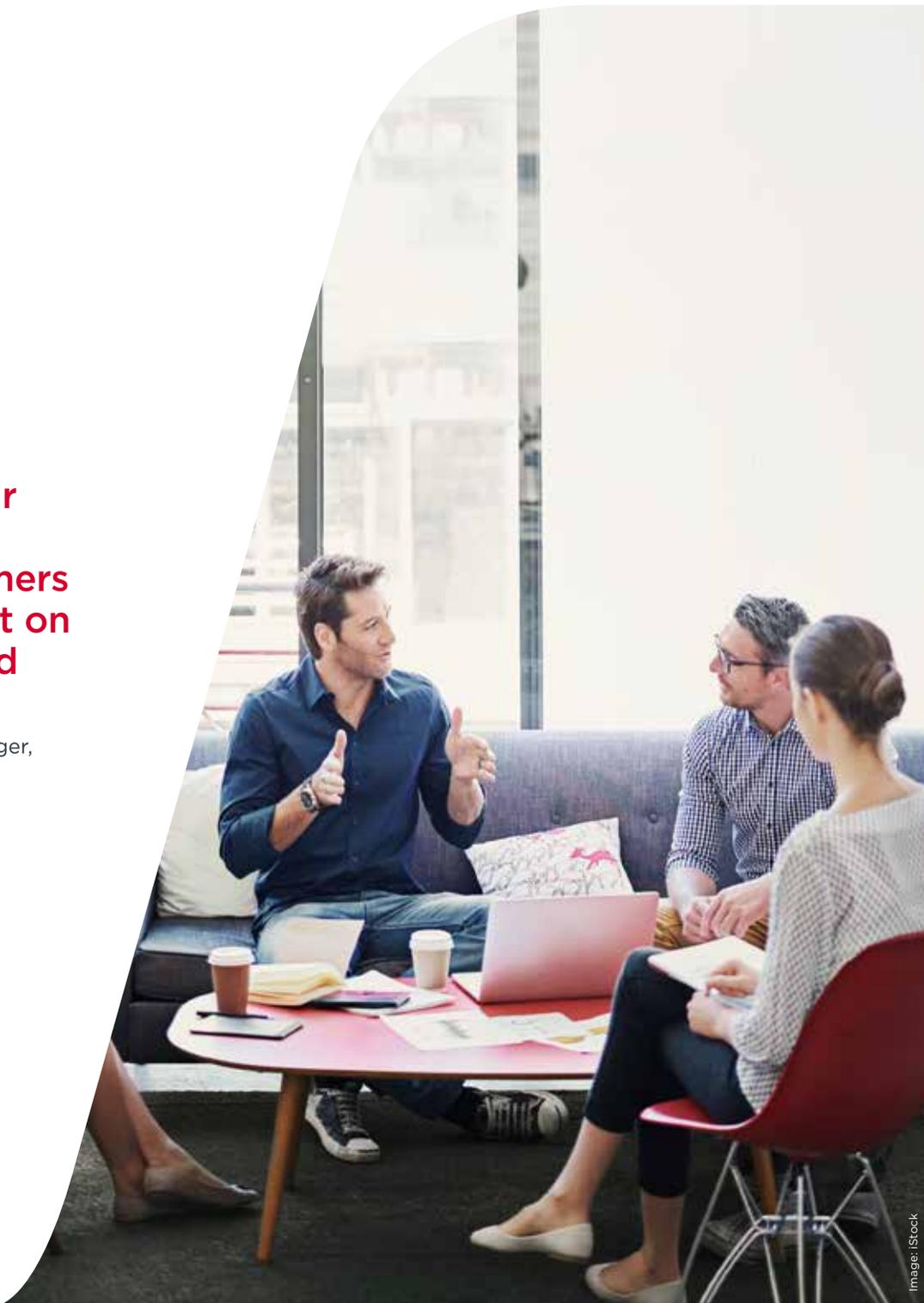
Firms must adapt their services and pricing models to suit consumers who increasingly insist on seamless, value-added service on demand. While tech-fuelled start-ups are also unsettling traditional accounting and law, strategic partnerships and collaboration will foster innovation and operational agility.

New technologies must also be embraced if firms are to tap in to emerging sources of talent and close skills gaps in their existing teams. And, while the regulatory landscape continues to grow and evolve, it also presents opportunities for accountants and lawyers to support clients through compliance with innovative digital solutions.

The future of professional services will demand digital agility and there are positive indicators the sector is up for the challenge.

**“Firms must adapt their services and pricing models to suit consumers who increasingly insist on seamless, value-added service on demand.”**

**Paul Goessler**, Regional General Manager, Industry, Westpac Commercial Bank



### **Things you should know:**

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The Westpac Group, 275 Kent Street,  
Sydney, NSW 2000, AUSTRALIA.

#### **Paul Goessler**

National Head of Professional Services,  
Westpac Commercial Bank  
M: 0402 892 405  
E: pgoessler@westpac.com.au

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